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MEETING NOTES - DISCUSSION ON BILLING STRUCTURE AS IMPACTED BY COMED RATE REDUCTION

Note: Items discussed in this summary are of a confidential nature.

Date: July 30, 1997 at 1 p.m.
Attendees: Jim Cherwin
Gary Ephraim
Jim Fillar
Rupa Natarajan
Lois Summerlott
Gustavo Velasquez

ISSUES

(1) Methodology employed in generating a combined bill for Refinery, UCD, Needle Coker, and Seneca.

(2) Procedure for sharing information with regards to the new rate structure, bearing the "confidentiality clause" in mind.

DISCUSSION

(1) It was decided at last Friday's meeting that UCD and Needle Coker should continue to enjoy similar savings as comparable to the past. Therefore, it was decided that in order to keep UCD and Needle Coker "unchanged", a 6L bill needs to be simulated for all three parties (UCD, Needle Coker and Refinery), similar to what is generated today. Since the "Fuel Adjustment" factor used to create separate bills will no longer be in use, arrangements will have to be made to obtain this number on a monthly basis from ComEd/Schedin & Associates.
The above method has the added benefit of auditing Refinery savings due to the rate reduction on a monthly basis.

(2) Is there an existing electricity service agreement that the Refinery has with UCD, Needle Coker and Seneca? Gustavo asked if the Refinery is obligated to disclose any information regarding electric billing to either of the three parties.

(3) Jim Fillar asked if the Refinery should be looking at formalizing an agreement with UCD, Needle Coker, and Seneca regarding electricity billing?

(4) Should the Refinery (a) divulge any of the rate reduction information to UCD? This would avoid the situation in which questions regarding the billing structure come up. However, questions regarding the allocation of savings could arise. (b) If yes, then ComEd needs to be asked whether this sharing of information is acceptable within the realm of the

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Confidentiality Agreement.

(5) An important concept to keep in mind is that although there are no longer benefits of Combined Billing, Needle Coker and UCD will continue to be "profit centers" to the refinery - i.e., we will sell them electricity at a higher rate than we pay. The savings are now strictly attributed to usage. In 1996, the Refinery enjoyed $845 M in savings as a result of the combined billing structure. If the rate reduction had been in place in 1996, the total savings would have been $4.8 MM/yr. UCD and Needle Coker would have received savings that amounted to $71,039 based on usage % calculated on a 6L bill. Therefore, the Refinery's net savings would have been $4.73 MM/yr. If the Refinery would have been on separate billing, then the 1996 savings would have been roughly $4.2MM/yr (since the total electric usage is now smaller). This results in approximately $500 M in "profit" from reselling of power with our new contract. Assume
The $/KWH summary is as follows: In 1996, the average Refinery $/KWH was 0.046. However, the Needle Coker and UCD $/KWH was $0.071 and $0.056/KWH respectively. As a result of the rate reduction, the Refinery will now pay $0.039/KWH, while Needle Coker and UCD will still pay $0.071 and $0.056/KWH respectively. Is the Refinery considered a "reseller" of electricity? Are there any downsides to this?

(6) Seneca has been paying a standard electricity rate of $0.0565/KWH for the past several years. Does their existence on the Refinery combined bill need to be reevaluated? The Seneca electricity usage is monitored by Refinery personnel. Their monthly determined electricity usage rate is often questionable due to the Seneca meter often being difficult to read.

(7) If the decision is made not to disclose any information about the new rate structure to UCD, we will need to develop a response to their inevitable questions regarding rate reduction efforts.

(8) Gary mentioned that the issue of exceeding the maximum cap needs to be considered. The cost of exceeding the cap by 1 MW is very high at 5.832 cents/KWH or $13,000/month and will be charged to the Refinery. Jim Pillar suggested that perhaps the Needle Coker should be held accountable for their Jet Pump operation, which sets our demand charge due to their intermittent usage during peak hours.

ACTION PLANS AND RESPONSIBILITIES

(1) Continue simulating a separate 6L bill as currently done. The billing methodology will be as follows: Complete 6L bill for Refinery, UCD, Needle Coker and Seneca. Determine UCD, Needle Coker and Seneca bill as previously done. The difference between the combined bill issued from ComEd and what is owed by UCD, Needle Coker and Seneca

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will comprise the Refinery portion.

Rupa will put together information required to continue putting together 6L bill, including new calculations required. Rupa will then train Lois on changes, since 6L information will not be present on the bill anymore. Also included will be tracking of Refinery savings from rate reduction on a monthly basis. This needs to be in place by September 1, 1997.

(2) Does the Refinery want to formalize a legal document/contract with UCD, Needle Coker and Seneca?

Rupa will put together a history of combined electricity billing, future billing strategy, savings involved as well as future concerns with combined billing including the "confidentiality pact" and present a package to Nick Nedeau for discussion. Question for Nick is: With the new rate reduction in place, how should the Refinery proceed now? This also needs to be discussed with Jim Branch.

(3) Is there a downside to the Refinery of being resellers of electricity?

Gary Ephraim will discuss this issue with Nick Nedeau.

(4) (a) Does the Refinery want to divulge any information to UCD regarding the new rate reduction structure?

This question needs to be posed to Jim Branch.

(b) If the answer is YES, then we need to ask ComEd for rights to share this information with UCD and Needle Coker?

(c) If the answer is NO, then a strategy for response needs to be formulated in case questions come up in the future.

The meeting was adjourned at 3 p.m.